

## **EXHIBIT 1**

### **INTRODUCTION**

Respondent League of California Cities (Non-Public Funds) (“Respondent Committee”) qualified as a major donor committee during 2006. It contributed over \$3.5 million dollars to “No on 90 – Californians Against The Taxpayer Trap, A Committee of Taxpayers, Educators, Business, Environmentalists, Local Government and Public Safety” (“No on 90 Committee”) prior to the November 7, 2006 Statewide General Election. The No on 90 Committee, a primarily formed state ballot measure committee, was instrumental in the defeat of Proposition 90 in the November election.

This matter arose from the Commission’s Late Contribution Streamlined Program, as a result of Respondent’s filing a late contribution report on January 29, 2007, disclosing an \$850,000 contribution made to the No on 90 Committee on October 30, 2006. As a major donor, Respondent was required to file campaign statements and reports in electronic format when it made contributions or expenditures totaling \$50,000 or more.

For the purposes of this stipulation, Respondent’s violation is stated as follows:

**COUNT 1:** Respondent League of California Cities (Non-Public Funds) failed to timely disclose an \$850,000 late contribution to the No on 90 Committee in a properly filed late contribution report, by the October 31, 2006 due date, in violation of Sections 84203, subdivision (a) and 84605, subdivision (a) of the Government Code.

### **SUMMARY OF THE LAW**

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and improper practices may be inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure. Section 82013, subdivision (c) includes within the definition of “committee” any person or combination of persons who directly or indirectly makes contributions, including loans, totaling ten thousand dollars (\$10,000) or more in a calendar year to, or at the behest of, candidates or committees. This type of committee is commonly referred to as a “major donor” committee.

#### **Duty to File Late Contribution Reports**

Under Section 84203, subdivision (a), when a committee makes or receives a late contribution, the committee must report the late contribution within 24 hours of making or receiving the contribution. Section 82036 defines “late contribution” as a contribution aggregating \$1,000 or more made to or received before the election, but after the closing date of the last pre-election campaign statement that is required to be filed before the election. The late

contribution reporting period covers the last 16 days before an election. (Section 84200.7 and 84200.8.)

In 1997, the Legislature amended the Act to require committees that are significantly active on the state level to file their campaign statements online or electronically. In doing so, the Legislature specifically declared, as set forth in Section 84601, subdivisions (b) and (c), that public access to campaign disclosure information is a vital and integral component of a fully informed electorate, and that advances in technology have made it viable for disclosure statements or reports required by the Act to be filed online, thereby maximizing availability to the public.

Section 84605, subdivision (a) requires all major donor committees to file campaign statements online or electronically with the Office of the Secretary of State, if they make contributions of fifty thousand dollars (\$50,000) or more in a calendar year.

### **SUMMARY OF THE FACTS**

During 2006, Respondent Committee, a major donor committee, made expenditures in the form of contributions totaling \$3,943,595. Once Respondent Committee made contributions of \$50,000 or more, during calendar year 2006, it was required to file all statements and reports online or electronically.

The No on 90 Committee was opposed to Proposition 90, a statewide ballot measure which would have placed prohibitions and restrictions on the ability of state and local governments to acquire and regulate private property. The No on 90 Committee received contributions totaling over \$12.4 million dollars during the election cycle, in which Proposition 90 was defeated in the November 7, 2006 Statewide General Election. Respondent Committee contributed over \$3.5 million dollars to the No on 90 Committee prior to the election.

#### **COUNT 1**

#### **Failure to Timely File a Late Contribution Report**

On October 30, 2006, during the late contribution reporting period, Respondent Committee made an \$850,000 contribution to the No on 90 Committee. As a major donor committee, Respondent had a duty, under Section 84203, subdivision (a) to file a late contribution report by October 31, 2006, disclosing the \$850,000 campaign contribution made to the No on 90 Committee. Since Respondent made contributions totaling more than \$50,000 in 2006, Respondent also had a duty, under Section 84605, subdivision (a), to file a late contribution report in electronic format by October 31, 2006, with the Office of the Secretary of State disclosing the \$850,000 campaign contribution made to the No on 90 Committee.

Respondent filed a late contribution report in paper and electronic format on January 29, 2007, twelve weeks after the election. By failing to file a late contribution report by October 31, 2006, Respondent violated Sections 84203, subdivision (a) and 84605, subdivision (a).

## **CONCLUSION**

This matter consists of one count, which carries a maximum possible administrative penalty of Five Thousand Dollars (\$5,000).

Respondent was excluded from the Enforcement Division's Streamlined Late Contribution Enforcement Program due to the large size of the contribution. The late contribution reporting requirements of the Act serve a very important role of informing voters of eleventh-hour pre-election contributions. The administrative penalty imposed for violations resolved outside of the Streamlined Enforcement Programs has historically been determined on a case-by-case basis, and has varied depending on the aggravating and mitigating circumstances of each case.

This case involves an extremely large late contribution and the fact that Respondent did not report it in either paper or electronic format until after the 2006 General Election. Furthermore, Respondent is a longstanding, experienced contributor to political campaigns, and knew of the late reporting requirements. In mitigation, the late contribution was timely reported by the No on 90 Committee before the election, the public was aware of Respondent's opposition to Proposition 90, and Respondent filed the delinquent reports prior to any contact by Commission staff.

The facts of this case, including the large amount of the unreported late contribution, and the above factors, justify imposition of the agreed upon administrative penalty of Five Thousand Dollars (\$5,000).